
Reports and Testimony: August 1994

Highlights

Defense Spending

By overstating savings and understating costs, the Pentagon has included in its Future Years Defense Program (FYDP) more programs than funding projections will support. For the 1995-99 FYDP, this overprogramming could exceed \$150 billion. Page 23.

Operation Desert Storm

Military personnel may have been exposed during the Persian Gulf War to toxic substances that can cause birth defects and infertility; however, incomplete and poorly designed military health studies have left unanswered questions about the extent of exposure and range of problems. Page 24.

Health Insurance for the Elderly

Multiple health insurance policies bought to supplement Medicare are costly and usually unnecessary. In 1991, about 3 million people spent \$1.8 billion on policies that probably duplicated coverage; another 500,000 who are eligible for Medicare spent about \$190 million of their limited incomes on unneeded supplemental policies. Page 14.

Contents

Reports and Testimony: August 1994

Agriculture and Food	2
Budget and Spending	3
Civil Rights	3
Economic Development	4
Education	4
Employment	5
Energy	5
Financial Institutions	8
Financial Management	10
Government Operations	11
Health	14
Housing	18
Income Security	18
Information Management	19
International Affairs	20
Justice and Law Enforcement	21
National Defense	23
Science, Space, and Technology	30
Tax Policy and Administration	32
Transportation	33
Special Publications	35

Reports and Testimony: August 1994

Agriculture and Food

Food and Drug Administration: Carrageenan Food Additive From the Philippines Conforms to Regulations

GAO/HEHS-94-141, Aug. 2 (21 pages).

Questions have arisen as to whether a less refined, less expensive carrageenan—a food additive derived from red seaweed—manufactured in the Philippines should be imported and sold in the United States. U.S. carrageenan manufacturers estimate that their revenue losses to the Philippines could exceed \$170 million over four years. On the basis of its food additive regulations for traditionally refined carrageenan, the Food and Drug Administration (FDA) classified the Philippine product as carrageenan, which is an approved food additive. As a result, Philippine manufacturers were not required to submit a food additive petition to FDA. A new food additive petition would have required FDA to approve conditions under which Philippine carrageenan was permitted to be used in foods. In determining that the Philippine carrageenan complied with its food additive regulations, FDA concluded that there were no major qualitative differences between Philippine natural grade carrageenan and traditionally refined carrageenan, including the safety of processing. However, allegations of illegal pesticide use have prompted FDA to test Philippine natural grade carrageenan for unapproved pesticide residues, specifically ethylene oxide.

USDA Restructuring: Refocus Info Share Program on Business Processes Rather Than Technology

GAO/AIMD-94-156, Aug. 5 (25 pages).

Info Share, the biggest and most challenging modernization effort in the Agriculture Department's (USDA) history, is intended to improve service delivery to customers of the farm service and rural development agencies. The magnitude of this effort is considerable—USDA has been delegated procurement authority of \$2.6 billion for Info Share. GAO has found that USDA managers are not performing key business process reengineering steps under Info Share necessary to fundamentally improve the way these agencies do business. Instead, USDA is managing Info Share basically as a way to acquire new information technology rather than as an opportunity to fundamentally improve business processes. As a result, USDA will probably spend hundreds of millions of dollars of scarce resources to

automate the current way these agencies do business rather than to reinvent USDA. At the same time, USDA may need to replace some of its aging and outdated computers so that these farm service and rural development agencies can continue to operate and provide services while the Department reengineers business processes. However, the Department has not identified its technology needs for this interim period or the most cost-effective option for meeting these needs.

Budget and Spending

Impoundments: Historical Information and Statistics on Proposed and Enacted Rescissions, Fiscal Years 1974-1994

GAO/OGC-94-22, Aug. 4 (four pages).

To keep Congress abreast of the amount and the frequency of rescissions proposed and enacted, GAO updated its November 1993 compilation of historical information and statistics on rescissions proposed by the executive branch and rescissions enacted by Congress.

Civil Rights

Federal Affirmative Employment: Better Guidance Needed for Small Agencies

GAO/GGD-94-71, July 21 (69 pages).

In reviewing 75 federal agencies ranging in size from three employees to nearly 4,700, GAO found that the overall representation of women and minorities in these small and medium agencies increased from 1984 to 1992. However, underrepresentation existed in many of the job categories. In particular, in medium agency key jobs, those that lead to senior-level positions, GAO found that underrepresentation existed in every key job. At the same time, women and minorities were being hired and promoted at rates that should improve their relative shares of the workforce. The Equal Employment Opportunity Commission (EEOC) needs to strengthen the management of the federal EEO program by clarifying its requirements for small agencies and ensuring that small agencies are held accountable for developing and implementing affirmative employment programs. EEOC requires small agencies to submit in place of affirmative action plans statements affirming their commitment to equal employment opportunity. This statement, however, does not guarantee that agencies will follow

EEOC's requirement for affirmative employment planning, nor does it provide EEOC with additional information to show that they are complying.

Economic Development

Rural Development: Patchwork of Federal Programs Needs to Be Reappraised

GAO/RCED-94-165, July 28 (65 pages).

The traditional sources of America's economic vitality, such as farming and industries based on natural resources, have undergone gradual yet significant restructuring during the 20th century. This restructuring has been accompanied by long-term economic disappointments: Poverty rates have remained high in rural counties, and unemployment rates have generally been higher in rural areas than in cities. These conditions have fueled an exodus from many rural areas, worsening their problems. This report (1) identifies the factors that influence a rural area's economic success or failure and (2) evaluates whether federal programs efficiently address rural economic problems.

Education

Education Reform: School-Based Management Results in Changes in Instruction and Budgeting

GAO/HEHS-94-135, Aug. 23 (41 pages).

School-based management allows individual schools more control over their budgets and instruction programs to meet the needs of their particular students. Such management initiatives have become common during the past decade, particularly in light of perceptions that district bureaucracies and school boards are unresponsive and impose restrictions that hinder the ability of individual schools to meet their unique needs. GAO examined school-based management initiatives in Dade County, Florida; Edmonton, Alberta, Canada; and Prince William County, Virginia. This report answers the following questions: Under school-based management initiatives, did administrators and teachers change their schools' instructional programs and budgets and, if so, how? What were key similarities and differences in districts' approaches? How were Chapter 1 programs integrated with school-based management initiatives? GAO found that in the three school districts, school-based management fostered

innovation but did not lead to net budget savings or better student performance.

Employment

Testimony

Multiple Employment Training Programs: How Legislative Proposals Address Concerns, by Clarence C. Crawford, Associate Director for Education and Employment Issues, before the Subcommittee on Employment, Housing, and Aviation, House Committee on Government Operations. GAO/T-HEHS-94-221, Aug. 4 (27 pages).

More than 150 federal programs provide employment training assistance to adults and out-of-school youth. Although these programs are well intended, they raise several concerns. First, they are difficult for jobseekers and employers to access and for administrators to implement. Second, they overlap and duplicate one another, adding unnecessary administrative costs to program operation. Third, they fail to meet client needs. Fourth, many programs lack the basic monitoring and evaluation systems to determine whether the programs are achieving desired results. During the past year, Members of Congress introduced 13 bills to restructure parts of the federal employment training system. In GAO's view, these proposals represent a significant step in the development of a customer-oriented system that will address the concerns already mentioned.

Energy

**Alternative-Fueled Vehicles:
Progress Made in Accelerating Federal Purchases, but Benefits and Costs Remain Uncertain**

GAO/RCED-94-161, July 15 (120 pages).

To reduce U.S. dependence on foreign oil and improve air quality, federal agencies have pioneered the use of vehicles fueled by ethanol, natural gas, methanol, propane, and electricity. Federal agencies now manage a fleet of about 7,800 cars, trucks, and vans that use alternative fuels. Wider public acceptance of these vehicles, however, has been stymied by a shortage of convenient refueling stations; high costs; and uncertainties surrounding the economic, environmental, and other benefits of alternative fuels. This

report (1) identifies uncertainties about the benefits and the costs of using alternative fuels; (2) assesses federal efforts to encourage the development of refueling facilities for such fuels; (3) reviews federal efforts to accelerate acquisitions of alternative-fueled vehicles; and (4) evaluates efforts to coordinate federal, state, and local alternative fuels programs.

**Energy Management:
Payments in Lieu of Taxes for DOE Property May Need to
Be Reassessed**

GAO/RCED-94-204, July 18 (34 pages).

The Atomic Energy Commission and its successor agencies—the Energy Research and Development Administration and the Energy Department (DOE)—assembled a large property inventory nationwide. Most of this property was acquired decades ago for the Manhattan Project and subsequent nuclear weapons development. The Commission was authorized to compensate communities for the loss of tax revenues when such properties were removed from the local tax rolls. Such compensation is termed “payment in lieu of taxes” because federally owned property is not subject to state and local taxation. The Commission was also authorized to make payments in excess of the taxes if a community experienced “special burdens” as a result of these activities. In response to congressional concerns that some communities hosting DOE facilities are receiving compensation while others are not, this report (1) identifies which communities have received payments and how the amounts were determined, (2) assesses whether a 1987 revision of DOE’s payment policy was consistent with the Atomic Energy Act of 1946, and (3) examines the potential effect of DOE’s 1983 changes to the payment policy.

**Nuclear Waste:
Foreign Countries’ Approaches to High-Level Waste Storage
and Disposal**

GAO/RCED-94-172, Aug. 4 (59 pages).

Some features of other countries’ approaches to nuclear waste disposal may offer insight for the United States, but a variety of economic, political, geographic, and other factors must be considered in deciding whether these features warrant further exploration and possible adaptation to the U.S. program. Governments around the world support the use of geologic repositories as the best method for disposing of highly radioactive waste,

but no country has yet built an operational facility. All the countries GAO visited had experienced problems with their waste management programs, and most do not plan to have repositories until 2020 or later. Differences exist between the U.S. and foreign approaches to repository development. For example, all the countries GAO visited have addressed the issue of temporary waste storage, thereby relieving pressure to quickly build repositories. Also, other countries often involve staff of nuclear facilities in their repository development programs and allow waste managers much flexibility in developing their technical and engineering repository concepts. Finally, several countries are exploring the use of long-lived engineered barriers—fabricated components, such as waste containers—for containing radiation in the repositories they are designing.

**Department of Energy:
Management Changes Needed to Expand Use of Innovative
Cleanup Technologies**

GAO/RCED-94-205, Aug. 10 (22 pages).

Although the Energy Department (DOE) has spent a substantial amount of money to develop waste cleanup technology for the nation's nuclear weapons complex, little new technology has found its way into use. Even when new technology has been successfully demonstrated, agency officials have been reluctant to try new approaches, tending instead to choose conventional techniques to clean up their facilities. As a result, opportunities for more effective cleanup solutions may be missed.

**Energy Policy:
Ranking Options to Improve the Readiness of and Expand the
Strategic Petroleum Reserve**

GAO/RCED-94-259, Aug. 18 (28 pages).

This report discusses several near- and long-term options for improving the readiness of and expanding the Strategic Petroleum Reserve. Resolving problems affecting the Reserve's readiness, such as the buildup of geothermal heat and gas in stored crude oil, and replacing equipment at the end of its design life would overcome the significantly degraded ability of the Reserve to respond to oil disruptions. As a result, GAO ranked these options as high priorities. Continuing to fill the reserve to its current capacity of 750 million barrels or expanding the reserve to hold one billion barrels would both cost much more. Considering the limited potential

benefits and the higher costs of filling or expanding the Reserve, GAO gave this option a relatively low priority. The benefits of increasing the Reserve's daily drawdown capability are less clear; however, implementing this option would increase the nation's ability to respond more flexibly to oil disruptions and would likely entail more moderate costs. GAO ranked this option as a medium priority.

Financial Institutions

Resolution Trust Corporation: Recommendations Addressed to Oversee and Account for Cash Flow Mortgages

GAO/GGD-94-179, July 26 (26 pages).

The Resolution Trust Corporation (RTC) has implemented two of GAO's earlier recommendations on cash flow mortgages. In November 1992, RTC presented new oversight procedures for cash flow mortgages to a management conference. RTC also has determined how it will account for the cash flow transactions and whether any allowance for potential future loss is required. GAO's third recommendation, that RTC make postclosing assessments of the cash flow transactions, has been addressed to the extent practicable. GAO found that for the Patriot cash flow mortgage, RTC had taken steps from the start to ensure that the terms and the conditions of the agreement were followed by hiring a servicer and clearly defining its responsibilities. However, for the first 20 months of the Centrust cash flow mortgage, RTC's oversight efforts did not ensure that the taxpayers' interests were protected as completely as they could have been. As of July 1993, both the Centrust and Patriot cash flow mortgages were being serviced by the same firm. The servicer has developed a monitoring plan that should enable the servicer to adequately oversee the Centrust cash flow mortgage. However, GAO found that neither the servicer's routine oversight practices nor the outside accountant's annual audit would determine whether unrelated fees and expenses had been charged to the properties' operating accounts. After GAO questioned these charges, the servicer developed procedures for the auditor that include a review of these charges.

Deposit Insurance Funds: Compliance With Obligation and Repayment Requirements as of December 31, 1993

GAO/AIMD-94-162, Aug. 17 (22 pages).

The Federal Deposit Insurance Corporation's (FDIC) maximum obligation calculations show that as of December 31, 1993, (1) the Bank Insurance Fund's (BIF) assets and other funding sources exceeded its obligations by \$44 billion and (2) the Savings Association Insurance Fund's (SAIF) assets and other funding sources exceeded its obligations by \$1.2 billion. Nothing came to GAO's attention that would lead it to question the reasonableness of the amounts reported. As of December 31, 1993, neither BIF nor SAIF had borrowed funds for insurance losses from the U.S. Treasury, although changing economic conditions and other factors could affect the need for future borrowings. FDIC anticipates that neither BIF nor SAIF will need to borrow money from Treasury to cover insurance losses through fiscal year 1999 and that BIF and SAIF will achieve their designated ratios of reserves to insured deposits of 1.25 percent by 1996 and 2004, respectively. FDIC borrowed no funds from the Federal Financing Bank for working capital needs during the quarter ended December 31, 1993. FDIC repaid the outstanding balance of BIF's previous borrowings from the Federal Financing Bank on August 6, 1993.

**Securities Enforcement:
Improvements Needed in SEC Controls Over Disgorgement Cases**

GAO/GGD-94-188, Aug. 23 (27 pages).

Funds are "disgorged" when securities law violators surrender the proceeds obtained from illicit activities. Courts may order the funds to be distributed to investors harmed as a result of the violation. When SEC and the courts believe that distributing the funds is impractical, the money is to be transferred to the U.S. Treasury. The Securities and Exchange Commission (SEC) can improve its management control systems for governing its disgorgement efforts. For example, SEC does not track or maintain aggregate information on disgorgement collected and distributed. Instead, SEC maintains information on a case-by-case basis. Tracking this data on an aggregate basis would make it easier for SEC to assess the overall effectiveness of its disgorgement efforts. Further, SEC does not provide its attorneys with formal written policies and procedures to guide them in helping the courts select receivers and in overseeing receivers' activities and compensation. Without formalizing these policies and procedures, SEC cannot adequately ensure that (1) any appearance of favoritism in its receiver recommendations is precluded or (2) funds managed by receivers are safeguarded until disbursed.

Financial Management

Financial Audit: Senate Recording Studio Revolving Fund Financial Statements for the Year Ended March 31, 1992

GAO/AIMD-94-118, Aug. 2 (11 pages).

GAO audited the financial statements of the Senate Recording Studio Revolving Fund as of March 31, 1992. The recording studio helps televise and record Senate floor proceedings and assists with other activities involving Senators and committees. GAO found that the financial statements were reliable in all material respects; internal controls reasonably ensured that losses, noncompliance with laws and regulations, and misstatements affecting the financial statements would be prevented or detected; and there was no material noncompliance with laws and regulations.

Financial Audit: Capitol Preservation Fund for 6 Months Ended 9/30/93 and Year Ended 3/31/93

GAO/AIMD-94-124, Aug. 4 (12 pages).

GAO audited the financial statement of the Capitol Preservation Fund for the six months ended September 30, 1993, and for the year ended March 31, 1993. The Fund was created to handle improvements to and preservation of the U.S. Capitol Building. The Fund consists of donations, interest on investments, and surcharges from the sale of commemorative coins. GAO found that the financial statements were reliable in all material respects; internal controls reasonably ensured that losses, noncompliance with laws and regulations, and misstatements material to the financial statements would be prevented or detected; and there was no material noncompliance with laws and regulations.

Financial Audit: Review of the Audit of SEMATECH's Financial Statements for 1993

GAO/AIMD-94-163, Aug. 29 (four pages).

In Price Waterhouse's opinion, SEMATECH's 1993 financial statements are fairly presented in all material respects in conformance with generally accepted accounting principles. Also, Price Waterhouse reported no material internal control weaknesses or noncompliance with laws and

regulations. Price Waterhouse also issued a management letter making recommendations that although not material to the financial statements were intended to improve SEMATECH's management efficiency and enhance its internal control structure. GAO found no indication during its review that Price Waterhouse's opinion on SEMATECH's 1993 financial statements, its report on internal control structure, or its report on compliance with laws and regulations could not be relied upon.

Testimony

Financial Management: Native American Trust Fund Management Reform Legislation, by George H. Stalcup, Associate Director for Financial Integrity Issues, before the Subcommittee on Native American Affairs, House Committee on Natural Resources. GAO/T-AIMD-94-174, Aug. 11 (nine pages).

According to GAO's review of the Bureau of Indian Affairs (BIA) trust fund financial management, BIA's systems, internal controls, and policies and procedures do not ensure that (1) trust fund balances, reported as \$2.1 billion at the end of fiscal year 1993, are accurate or (2) Indian natural resource assets generate maximum revenue for tribal and individual Indian trust beneficiaries. During the past year, the Secretary of the Interior has placed greater emphasis on Indian trust programs, initiatives that are important first steps in improving Indian trust fund and asset management programs and operations. Pending trust fund management reform legislation would enhance trust financial management reform initiatives under way at the Department of the Interior.

Government Operations

Records Management: Inadequate Controls Over Various Agencies' Political Appointee Files

GAO/NSIAD-94-155, July 13 (37 pages).

GAO was requested to review the adequacy of controls over records created and maintained on political appointees at the Departments of State, Commerce, and the Interior; the U.S. Agency for International Development; and the Office of the Secretary of Defense. GAO found that weaknesses in management and control of records at the State Department had allowed Clinton administration political appointees at the Department's White House Liaison Office to retrieve White House liaison files on Bush political appointees. Controls over White House liaison

records on political appointees at the other four agencies were also weak. Three agencies had not identified their political appointee records as systems of records, though required by the Privacy Act. Three of the four had not prepared disposition schedules for these records. Two agencies destroyed records on political appointees without specific disposition authority, one agency gave the records to individual appointees, and one handled the records in a manner that the final disposition for most of them could not be determined. No governmentwide disposition standards exist for records on political appointees, and weak controls increase the vulnerability of these records to unauthorized searches and make it harder to determine if the records have been improperly accessed.

**Records Management:
Retrieval of State Department's Political Appointee Files**

GAO/NSIAD-94-187, July 13 (16 pages).

GAO was asked to review an investigative report prepared by the State Department's Office of Inspector General (OIG) on the retrieval of files on Bush administration political appointees. The OIG report concluded that the Clinton administration staff in the State Department White House Liaison Office had retrieved and reviewed files containing information on Bush administration political appointees and that the release of information about these files appeared to violate the Privacy Act. Two officials were fired as a result. GAO's review generally agrees with the OIG's findings and conclusions and supplements the information the OIG developed. The one area in which GAO obtained information that the OIG investigation did not concern the adequacy of records management at State and other agencies. The OIG investigation sought to determine whether Department employees had engaged in any wrongdoing. Although the OIG concluded that State's information management officials had not violated current regulations when they gave records of Bush appointees to the Clinton appointees, GAO believes that weaknesses in records management and controls led to the retrieval and release of information to the press.

**White House:
Follow-up on Acquisition of Automated Resume Processing**

GAO/GGD-94-127, Aug. 3 (15 pages).

After the initial letter contract was awarded in February 1993, the White House prepared the documentation required by federal regulations to justify its sole-source acquisition of Resumix—an automated resume-processing system—under urgent and compelling circumstances. The documentation indicated that the new administration needed information on a large number of potential candidates quickly and that Resumix was superior to the existing White House system in terms of entering resumes, searching for candidates, and compiling lists of candidates. Also, fewer staff were needed to operate Resumix. Although the contract file did contain detailed price information and a statement that the Contracting Office had determined that the Resumix price was fair and reasonable, the supporting documentation was insufficient to demonstrate that the White House had obtained a fair and reasonable price. In addition, the Resumix acquisition was not handled in full accordance with federal procurement regulations in the following areas: Some items had been omitted from the requirements analysis, certified cost or pricing data had not been obtained from the supplier, and a competition advocate had not approved the justification for the sole-source acquisition.

**Commission on Civil Rights:
Commissioners' Travel Activities**

GAO/GGD-94-130, Aug. 8 (21 pages).

GAO was asked to investigate several questions relating to travel of Commissioners of the Commission on Civil Rights, including a determination of whether timely travel vouchers had been filed for fiscal year 1992 through February 1994. As of March 31, 1994, six of the 10 commissioners who had been provided airline and train tickets during this period had filed all required vouchers; one Commissioner had not filed 57 vouchers; two other commissioners each had not filed one voucher; and the Commission was reviewing the need for a voucher for another trip, which had been canceled. The Commissioners' failure to submit travel vouchers promptly had caused the Commission to increase budgetary adjustments at the end of the fiscal year, and these adjustments required the Commission to record additional obligations to cover future payment of outstanding travel vouchers.

**The Public Service:
Issues Confronting the Federal Civilian Workforce**

GAO/GGD-94-157, Aug. 25 (28 pages).

A quality workforce is essential if Americans are to have an efficient and responsive federal government. Over the years, GAO has repeatedly cited problems affecting the quality and the effectiveness of the federal workforce. In the future, traditional approaches to recruiting, hiring, training, and managing federal workers will grow increasingly outmoded. Major economic, demographic, and political changes are occurring that could significantly reshape the environment in which the workforce has operated. This report summarizes some of the major improvements in federal human resource management that have been made since 1991 and key open recommendations that GAO made to Congress, the Office of Personnel Management, and other agencies.

Health

**Health Insurance for the Elderly:
Owning Duplicate Policies Is Costly and Unnecessary**

GAO/HEHS-94-185, Aug. 3 (26 pages).

Owning multiple health insurance policies to supplement Medicare is both costly and unnecessary. GAO estimated that about 3 million elderly Medicare beneficiaries paid about \$1.8 billion in 1991 for policies that probably involved duplicate coverage. Many of these people had supplemental coverage through employer-sponsored plans. About 500,000 other Medicare beneficiaries, who were also eligible for Medicaid because of limited incomes, spent about \$190 million on unnecessary supplemental insurance. Although retirees with employer-sponsored coverage generally do not need to buy Medigap policies, many employers with retiree health plans are increasing cost-sharing or tightening eligibility requirements. Such changes may make an employer-sponsored plan less attractive. In addition, the employer may terminate the plan. Federal Medigap requirements provide a one-time "open season" for people to buy Medigap insurance, regardless of health status, within six months of enrolling in Medicare part B. If a retiree's employer-sponsored plan is changed or canceled after the open season, the retiree will lose the guaranteed access to a Medigap plan. To alleviate this potential problem, Congress would have to revise the law.

**Health Care Reform:
Potential Difficulties in Determining Eligibility for
Low-Income People**

GAO/HEHS-94-176, July 11 (27 pages).

To obtain basic health care in fiscal year 1992, more than 30 million people depended on Medicare. Federal and state governments spent nearly \$120 billion to provide services to these people. However, millions of people with incomes below the poverty line are not now covered by Medicaid. Many of those who are potentially eligible do not apply, and many who do apply are denied enrollment and remain uninsured. Because health care reform may expand coverage to many of the uninsured, some form of means testing may be required to determine eligibility. This report identifies the (1) reasons why people who may be potentially eligible for Medicaid are not being enrolled, (2) incentives hospitals have to facilitate enrollment of their patients in Medicaid, and (3) implications for eligibility determinations if health care reform is enacted.

**FDA User Fees:
Current Measures Not Sufficient for Evaluating Effect on
Public Health**

GAO/PEMD-94-26, July 22 (43 pages).

Congress passed legislation in 1992 requiring the Food and Drug Administration (FDA) to charge fees for reviewing new drug applications to determine whether the drugs were permitted to be marketed in the United States. The fees collected are to be used to augment FDA resources devoted to reviewing new drug applications. This increase in resources, in turn, is intended to speed drug review and approval. GAO reviewed whether the data mandated by the law will be sufficient to evaluate whether drugs are reaching patients sooner. GAO found that the existing reporting requirements of the user fee act, if satisfied, will provide detailed information on one aspect of the drug review and approval process—the timeliness of FDA performance. However, because FDA performance is not the sole determinant of how long the process takes, these data alone will not be enough to evaluate how long it takes for drugs to become publicly available, and more data are needed.

Medicare:

HCFA's Contracting Authority for Processing Medicare Claims

GAO/HEHS-94-171, Aug. 2 (21 pages).

Since 1966, the Health Care Financing Administration (HCFA) has awarded most contracts to process claims under Medicare parts A and B without competition, has renewed them annually, and has compensated contractors on a cost-reimbursement basis. Periodically, Congress has directed HCFA to experiment with other types of contracts in an effort to reduce administrative costs. Earlier experiments had mixed results, but current experiments indicate that different types of contracts may reduce costs. Congress is now considering a bill that would require HCFA to study the feasibility of making the contracting process more competitive. Although HCFA's current authority provides opportunities to achieve administrative efficiencies, Congress may want to direct HCFA to evaluate new approaches that could spur greater competition. Any changes, however, should avoid problems that have occurred in the past. The role that the Blue Cross and Blue Shield Association (the national trade association for independent Blues plans) plays in coordinating part A contracting activities with individual Blues plans may limit the need for HCFA resources to perform these activities. However, since 1989, HCFA has not evaluated the Association's performance, even though HCFA paid the Association more than \$21 million during that period. In GAO's view, HCFA needs to regularly assess the Association's performance, just as it assesses those of other contractors, to ensure that the Medicare program is being managed efficiently.

Medicaid:

Changes in Best Price for Outpatient Drugs Purchased by HMOs and Hospitals

GAO/HEHS-94-194FS, Aug. 5 (21 pages).

Congress has tried to reduce Medicaid prescription drug costs by requiring drug manufacturers to give state Medicaid programs rebates for outpatient drugs. The rebates were based on the lowest, or "best," prices that drug manufacturers charged other purchasers, such as health maintenance organizations (HMO) and hospitals. Congress has raised concerns that drug manufacturers might try to minimize the rebates to state Medicaid programs by increasing best prices and cutting best price discounts for drugs purchased by HMOs and others. This fact sheet (1) identifies the

changes in the best prices for the drugs bought by the HMOs and group purchasing organizations GAO studied; (2) identifies the changes in the difference between the drugs' best prices and their average prices, known as the "best price discount"; and (3) compares the changes in the best prices with the changes in prices paid by the HMOs and the group purchasing organizations.

**Medicaid Long-Term Care:
Successful State Efforts to Expand Home Services While
Limiting Costs**

GAO/HEHS-94-167, Aug. 11 (68 pages).

Because nearly one-third of the nation's Medicaid expenditures are now spent on long-term care (\$42 billion in 1993), GAO was asked to review the experience of states in expanding government-funded home and community-based services. GAO's review focused on Oregon, Washington, and Wisconsin. These three states have expanded home and community-based long-term care in part as a strategy to help control rapidly increasing Medicaid expenditures for institutional care. As they expanded home and community-based care, the three states restricted how large most of the programs were permitted to grow. Some restrictions were mandated by the federal government, which approves capacity limits on programs operated under Medicaid waivers. Other restrictions resulted from constrained state budgets. Despite these deliberate limits on program size, one impact of the shift to home and community-based care is that the three states have been able to provide services to more people with the dollars available, primarily because home and community-based care is less expensive per person than institutional care.

**Health Care:
Federal and State Antitrust Actions Concerning the Health
Care Industry**

GAO/HEHS-94-220, Aug. 5 (60 pages).

In response to a request to review antitrust actions taken against hospitals by the Justice Department and the Federal Trade Commission (FTC), GAO found that of 397 acute care hospital mergers reviewed by Justice and FTC in fiscal years 1981-93, less than four percent were challenged. For an additional 13 percent of these mergers, Justice or FTC did preliminary investigations and then allowed the mergers to go forward. The remaining

83 percent of cases involved no more than the required initial filings of notice of proposed merger. Neither Justice nor FTC has ever challenged a hospital joint venture. GAO also found that the hospital industry had actively sought enactment of state laws that would confer antitrust immunity on collaborative actions by hospitals, such as mergers, joint ventures, and sharing of patients and equipment. Since 1992, 18 states have enacted regulatory programs for state approval of hospital activities that can fall under antitrust statutes. Such state laws are sought because under the state action immunity doctrine established by the Supreme Court, certain anticompetitive conduct regulated by the states may be immune from federal antitrust enforcement action.

Housing

Public Housing: Information on Backlogged Modernization Funds

GAO/RCED-94-217FS, July 15 (24 pages).

GAO was asked to review the extent to which funds appropriated by Congress to modernize the nation's public housing are not being spent in a timely manner. This fact sheet discusses the extent of, reasons for, and federal and local efforts to reduce the accumulation of unobligated modernization funds. In summary, through fiscal year 1994, Congress appropriated about \$9.3 billion that either has not been approved for local use by the Department of Housing and Urban Development or that public housing authorities have not obligated for modernization projects.

Income Security

Pension Plans: Stronger Labor ERISA Enforcement Should Better Protect Plan Participants

GAO/HEHS-94-157, Aug. 8 (51 pages).

The Department of Labor's Pension and Welfare Benefits Administration (PWBA) is responsible for enforcing provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the federal program to protect an estimated 200 million participants and beneficiaries of private pension and welfare plans, as well as the \$2.5 trillion in assets held by those plans. A review of Labor's enforcement program shows improvements since 1986 but also the need to strengthen enforcement by taking steps to ensure maximum use of investigative resources. PWBA has never evaluated its

current enforcement strategy; such an evaluation is needed to determine whether PWBA is focusing on the right issues and whether the strategy produces the greatest results. In addition, PWBA has done little to assess the effectiveness of computer targeting programs developed to systematically select pension and welfare plans for investigation of potential fiduciary violations. The enforcement program can also be strengthened by increasing the use of penalties authorized by ERISA to deter plans from violating the law.

**Social Security:
Most Social Security Death Information Accurate But
Improvements Possible**

GAO/HEHS-94-211, Aug. 29 (12 pages).

Nearly all the information based on reports of death that the Social Security Administration (SSA) shares with other federal agencies is accurate. The accuracy of this information, which is provided to such agencies as the Departments of Defense, Veterans Affairs, and Labor, is essential to prevent or identify millions of dollars in overpayments by federal agencies to deceased persons and to avoid the erroneous termination of benefits. Fewer than one percent of the nearly 350,000 recorded deaths GAO reviewed were inaccurate. SSA can make its information more useful by taking action in four areas: handling cases erroneously terminated, processing rejected death reports, providing information on nonbeneficiaries, and using feedback based on agency investigations of deaths.

**Information
Management**

**Prescription Drugs:
Automated Prospective Review Systems Offer Potential Benefits
for Medicaid**

GAO/AIMD-94-130, Aug. 5 (32 pages).

Inappropriate drug therapy poses a significant health risk to Medicaid patients and could be adding hundreds of million of dollars each year in unnecessary drug and hospitalization costs. Use of automatic systems linked to statewide databases could provide a more thorough prospective review than reviews based on manual or local systems. However, the use of automated statewide drug utilization review (DUR) is not required by law. Although about two-thirds of the states use them, other states believe

that the systems are too costly and may not provide tangible benefits. In the five states GAO visited, use of statewide DUR systems led to the cancellation of more than 128,000 prescriptions that posed a risk to patients. Two of these states provided data showing that their systems resulted in the cancellation of more than 250,000 early refill prescriptions that potentially involved fraud or abuse. In addition to patient safety, such cancellations can yield program savings when prescriptions are not subsequently filled or replaced with a substitute. Prescriptions cancelled by the five states GAO reviewed were valued at about \$12 million. Although data were unavailable on the actual savings from these cancellations, the sheer magnitude of the cancellations suggests potentially large savings for the Medicaid program.

**Telecommunications:
Financial Information on 16 Telephone and Cable Companies**

GAO/RCED/AIMD 94-221FS, July 8 (32 pages).

GAO was asked to provide financial information on the seven Regional Bell Operating Companies, including Ameritech, Bell Atlantic, BellSouth, NYNEX, Pacific Telesis, Southwestern Bell, and US WEST; GTE (the largest independent telecommunications company); AT&T; MCI; Sprint; and the operators of the five publicly owned multiple-system cable television companies with the largest number of subscribers: Tele-Communications, Inc., Time-Warner, Comcast Corporation, Cablevision Systems Corporation, and Jones Intercable, Inc. This fact sheet provides information for all 16 companies on total operating revenues, cash flow from operations, and profitability. In addition, for the Bell Operating Companies and GTE, the report provides more detailed financial information on the uses of cash flow from operations, including the extent to which capital expenditures are made inside and outside of the companies' primary line of business.

International Affairs

**United Nations:
How Assessed Contributions for Peacekeeping Operations
Are Calculated**

GAO/NSIAD-94-206, Aug. 1 (36 pages).

To finance its peacekeeping operations, the United Nations relies on an assessment formula that is based on the regular U.N. budget assessment

scale in which permanent members of the U.N. Security Council and the industrialized nations pay more than the poorer nations. This system has led to inequities. In this report, GAO looks at alternatives to the current system and constructs a simplified perspective of countries' ability to pay for peacekeeping operations based on a 1992 "snapshot" of each country's percentage of global gross national product and a regrouping of peacekeeping assessment categories using World Bank per capita income data.

Testimony

Public Law 480 Title I: Economic and Market Development Objectives, by Allan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before the Subcommittee on Economic Policy, Trade, and Environment, House Committee on Foreign Affairs. GAO/T-GGD-94-191, Aug. 3 (47 pages).

Through the Public Law 480 title I food aid program, U.S. agricultural commodities are sold to developing countries on long-term credit at below-market interest rates. When this food aid legislation was enacted in 1954, its objectives were to export large amounts of surplus U.S. agricultural commodities and serve U.S. international policy interests. Today, however, title I is less important in terms of reducing U.S. agricultural surpluses and its share of U.S. agricultural exports and world food aid has decreased significantly. Although 1990 legislation streamlined title I program management and simplified implementation requirements overseas, the revisions did not improve the program's ability to promote broad-based sustainable development and expand markets for U.S. agricultural commodities. The program does move U.S. agricultural commodities to foreign markets, but the title I program is encumbered with multiple and sometimes competing objectives as well as contradictory program requirements. As now structured, the program appears unable to significantly advance either the economic development or market development objectives of the 1990 legislation.

Justice and Law Enforcement

INS Drug Task Force Activities: Federal Agencies Supportive of INS Efforts

GAO/GGD-94-143, July 7 (20 pages).

The Organized Crime Drug Enforcement Task Force was created in 1982 to carry out a comprehensive, multiagency attack on drug-related and

money laundering enterprises. GAO was requested to provide information on the Immigration and Naturalization Service's (INS) participation in the Task Force, especially with respect to INS implementation of a section of the Anti-Drug Abuse Act of 1988, which directed INS to establish a Task Force pilot project and which authorized \$8.2 million to increase the commitment of INS personnel to the Task Force. This report compares INS staffing and efforts concerning the Task Force in the cities involved in the pilot project to nonpilot cities.

**Federal Judicial Security:
Comprehensive Risk-Based Program Should Be Fully Implemented**

GAO/GGD-94-112, July 14 (144 pages).

Executive branch security experts and judges believe that the federal judiciary is becoming an increasingly dangerous place in which to work. Most district marshals believe that judicial personnel are generally safe in judicial facilities but less so away from them. Likewise, most judges believe that security at court buildings is adequate and are more concerned about off-site security. Key aspects of the comprehensive on-site judicial security program recommended by a 1982 task force are not yet fully in place. The Marshals Service has not finished (1) establishing a security committee in each federal judicial district, (2) completing security surveys and plans for all judicial facilities in all districts, and (3) implementing a complete national database to manage security resources and programs. The judicial security program is not comprehensive enough in that it does not evaluate off-site security. The Administrative Office of the U.S. Courts and the Judicial Conference have not systematically overseen and monitored the effectiveness of the security program and the use of appropriated funds.

**Drug Control:
Interdiction Efforts in Central America Have Had Little Impact on the Flow of Drugs**

GAO/NSIAD-94-233, Aug. 2 (36 pages).

The supply of illegal drugs reaching the United States via Central America continues virtually uninterrupted despite years of U.S. drug interdiction efforts. Traffickers are now using sea and overland routes to move drugs, and the ability of Central American nations to combat the problem remains limited due to a variety of factors, including lack of resources and

government corruption. GAO summarized this report in testimony before Congress; see:

Drug Control: U.S. Counterdrug Activities in Central America, by Benjamin F. Nelson, Associate Director for International Affairs Issues, before the Subcommittee on Information, Justice, Transportation, and Agriculture, House Committee on Government Operations. GAO/T-NSIAD-94-251, Aug. 2 (11 pages).

Testimony

Electronic Surveillance: Technologies Continue to Pose Challenges, by Hazel E. Edwards, Director of Information Resources Management/General Government Issues, before the Subcommittee on Technology and the Law, Senate Committee on the Judiciary, and the Subcommittee on Civil and Constitutional Rights, House Committee on the Judiciary. GAO/T-AIMD-94-173, Aug. 11 (nine pages).

In 1992, GAO reported that the ability of law enforcement agencies to execute court-approved wiretaps was challenged by advanced telecommunications technology. To determine changes in the state of technology since that time, GAO interviewed representatives from law enforcement organizations, telephone service providers, and manufacturing companies. These discussions revealed that although some technological solutions have been developed to facilitate law enforcement agencies' wiretap efforts, other technology changes have made it more difficult for them to use traditional wiretap methods. These agencies are still able to conduct most court-approved wiretaps, but they report that investigations were delayed or court orders simply were not pursued because of these problems. In addition, industry representatives told GAO about technological situations that would be difficult to wiretap, even though they have not yet received wiretap court orders for those situations.

National Defense

Future Years Defense Program: Optimistic Estimates Lead to Billions in Overprogramming

GAO/NSIAD-94-210, July 29 (24 pages).

By overestimating savings and understating costs, the Pentagon has included in its Future Years Defense Program more programs than spending plans can support—more than \$150 million in overprogramming

for the fiscal years 1995-99 period, according to GAO estimates. The Defense Department's (DOD) current Future Years Defense Program is overprogrammed by about \$20 billion when compared with the Administration's fiscal year 1995 budget submission. GAO found another \$1.5 billion in negative adjustments in the research and development account. GAO believes that it is inconsistent with congressional intent for DOD to use negative adjustments to unspecified programs to balance Future Years Defense Program funding estimates with those in the President's budget. This overprogramming is not new. Since 1984, GAO has consistently disclosed that DOD employs a systemic bias toward overly optimistic planning. The use of optimistic planning assumptions has led to program instability, costly program stretch-outs, and program terminations.

**Operation Desert Storm:
Questions Remain on Possible Exposure to Reproductive Toxicants**

GAO/PEMD-94-30, Aug. 5 (35 pages).

Soldiers who served in the Persian Gulf War have complained of health problems that they believe result from exposure to hazardous substances. These substances include diesel fuel used as a dust suppressant at encampments, smoke from the burning of human and other waste with fuel oil, shower water contaminated with fuel, drugs and vaccines used to protect against chemical and biological weapons, pesticides and insect repellents, and the smoke from oil-well fires. Some veterans believe that their exposure has harmed not only their health but has led to reproductive problems, such as birth defects, infertility, and miscarriages. The military's studies so far of reproductive dysfunctions among returning troops have been incomplete and poorly designed. As a result, questions remain about the extent of exposure and range of reproductive problems among U.S. military personnel. GAO summarized this report in testimony before Congress; see:

Operation Desert Storm: Potential for Reproductive Dysfunction Is Not Being Adequately Monitored, by Kwai-Cheung Chan, Director of Program Evaluation in Physical System Areas, before the Senate Committee on Veterans Affairs. GAO/T-PEMD-94-31, Aug. 5 (10 pages).

**Defense Conversion:
Status of DOD Funding and Spending**

GAO/NSIAD-94-218BR, June 30 (nine pages).

In fiscal year 1993, the Defense Department (DOD) committed or obligated about \$2.7 billion of the \$3.2 billion authorized and appropriated for 57 defense conversion programs. For 54 defense conversion programs in fiscal year 1994, DOD committed or obligated about \$1.9 billion of the approximately \$2.9 billion authorized and appropriated. Estimates of DOD's portion of the total federal funds to be spent on defense reinvestment and conversion initiatives for fiscal years 1993 through 1997 are increasing. The President's defense reinvestment and conversion initiative, announced on March 11, 1993, totaled \$19.6 billion over five years; DOD's portion was 42 percent. The Office of Management and Budget's February 1994 estimate of the cost of the President's initiative was \$21.6 billion; DOD's portion has increased to 59 percent.

**Contract Pricing:
DOD Management of Contractors With High Risk Cost-Estimating
Systems**

GAO/NSIAD-94-153, July 19 (20 pages).

GAO evaluated the Defense Department's (DOD) efforts to ensure that contractors with high risk cost-estimating systems reduce the government's vulnerability to questionable contract pricing. GAO found that contractors' performance in correcting their significant cost-estimating system deficiencies has been mixed. Although 19 of the 30 contractors GAO reviewed had corrected all their major cost-estimating system shortcomings, the remaining 11 contractors had deficiencies that had been outstanding an average of 3.8 years. Not correcting estimating deficiencies promptly creates a variety of problems for DOD, including increased costs and delays in contract awards. Although DOD contracting officers have used various approaches to encourage contractors to correct their cost-estimating system deficiencies, contracting officers have not resorted to the more stringent measures available, such as reducing progress payments or recommending nonaward of future contracts. GAO found that Defense Logistics Agency oversight of contracting officers is important—especially when deficiencies are longstanding—for two reasons. First, contracting officers have considerable latitude in deciding how to obtain corrective action. Second, DOD does not specify criteria used

to determine timeliness of corrective actions. Although contracting officers need flexibility in working with contractors, DOD also needs to periodically review the adequacy of contracting officer actions and ensure that estimating system deficiencies are promptly corrected.

**Partnerships:
Customer-Supplier Relationships Can Be Improved
Through Partnering**

GAO/NSIAD-94-173, July 19 (27 pages).

GAO studied various cooperative, private sector business relationships called "partnerships." Some company officials and consultants use the analogy of a marriage to differentiate a partnership from a traditional business relationship. That is, a partnership among organizations is a relationship requiring an understanding of each other's needs, common goals, commitment, trust, communication, and a willingness to work through problems. This report identifies (1) the decisionmaking process for forming partnerships; (2) the practices used in managing these relationships, including the contract terms that govern these relationships and the safeguards needed to ensure accountability and minimize risks; and (3) the benefits achieved from private sector partnerships and the potential for benefits in the Defense Department. GAO also determined whether companies in successful partnerships have common characteristics.

**Morale, Welfare, and Recreation:
Information on Military Golf Activities**

GAO/NSIAD-94-199FS, July 19 (14 pages).

This fact sheet provides information on golf courses at 10 military bases. GAO discusses (1) the number of golf courses operated, the year built, and the type of funds used to finance the construction; (2) the extent that the courses have 9 or 18 holes, pro shops, as well as restaurants and who managed them; (3) financial information, including nonappropriated funds generated, net profit and loss for fiscal years 1992 and 1993, and the amount of appropriated funding used to run the courses; (4) fee schedules; and (5) the policy at each base on access to golf courses and other morale, welfare, and recreation activities.

**Contractor Overhead Costs:
Money Saving Reviews Are Not Being Done as Directed**

GAO/NSIAD-94-205, Aug. 3 (eight pages).

Should-cost reviews are a special form of cost analysis used to evaluate the economy and efficiency of a contractor's overhead operations. After being told in 1992 to conduct more should-cost reviews, the Defense Department has only done four of them. Furthermore, all four were done by the Air Force rather than the Defense Contract Management Command, the organization primarily responsible for conducting these reviews. Since then, the Command has acknowledged the importance of reviews but has not begun any because of the time involved in developing regulations and an approach for performing those reviews. In June 1993, it asked its customers to identify potential candidates for should-cost reviews; they listed 17 candidates. The Command plans to begin one should-cost review in July 1994 and another one after a contractor completes a restructuring action. The Command did not consider the other 15 good candidates for should-cost reviews because of steps these contractors have taken to cut overhead costs.

**DOD Procurement:
Overpayments and Underpayments at Selected Contractors Show
Major Problem**

GAO/NSIAD-94-245, Aug. 5 (10 pages).

GAO testified in April 1994 that defense contractors were returning millions in contract overpayments to the Defense Finance and Accounting Service (DFAS). GAO was then asked to review whether all overpayments were being returned. A review of overpayments and underpayments to nine major defense contractors revealed \$118 million in inaccurate payments that potentially could cost the government more than \$20,000 a day in lost interest or late payment penalties. Each contractor had returned some overpayments, but the nine contractors were keeping some overpayments. Contractor officials gave several reasons for not returning overpayments, but none of the reasons appeared to justify not returning overpayments or delaying the resolution of discrepancies. Neither the Defense Department nor the contractors were aggressively trying to resolve the discrepancies, some of which had been outstanding for years.

**Industrial Base:
Contractors Have Ability to Meet Requirements for Rations
During Wartime**

GAO/NSIAD-94-180, August 9 (20 pages).

In response to a requirement by the House Committee on Armed Services, GAO reviewed the ability of the industrial base to meet wartime requirements for individual rations called Meal Ready-to-Eat (MRE) and a group ration called Tray pack that contains multiple servings of food. GAO's investigation showed that the current MRE and Tray pack suppliers have surge capacity that substantially exceeds current wartime requirements. If the MRE contractors were to produce rations at maximum capacity for 150 days, not only would all the required MREs be procured, but the MRE inventory could be more than doubled. Similarly, the Tray pack inventory could be increased by more than 20 percent.

**Pollution Prevention:
Chronology of Navy Ship Waste Processing Equipment
Development**

GAO/NSIAD-94-221FS, Aug. 18 (12 pages).

In 1973, the United States and other maritime nations signed a treaty to regulate the discharge of garbage and other solid wastes from ships. It prohibited the discharge of plastics anywhere at sea and of food paper, cardboard, metal, and glass near land and in special areas. To implement the treaty, Congress passed legislation in the late 1980s requiring naval vessels to comply with these pollution requirements by December 31, 1993; at the request of the Navy, Congress extended the Navy's compliance to 1998 and beyond. This fact sheet reviews the Navy's response to the treaty and its accompanying legislation. GAO provides information on (1) the two plans that the Navy has proposed so far; (2) the solid waste processing equipment the Navy has developed in accordance with these plans; and (3) the cost of this equipment.

**Defense Inventory:
Changes in DOD's Inventory, 1989-93**

GAO/NSIAD-94-235, Aug. 17 (14 pages).

The Defense Department (DOD) reports that the nominal value of the secondary item inventory decreased by nearly \$32 billion between fiscal years 1989-93. However, after adjusting DOD's secondary inventory for accounting changes and valuing it all at the latest acquisition cost, GAO estimates that the total inventory decreased by about \$11 billion during that period. The value of items in the potential reutilization/disposal category rose by \$7 billion. However, by revaluing the latest acquisition value of DOD's inventory to reflect needed repair costs and scrap values of potential reutilization/disposal stock, GAO found that inventory values decreased by \$15 billion between fiscal years 1989-93 and potential reutilization stocks increased by less than \$200 million. Actual obligations for secondary item inventory were \$35.6 billion in fiscal year 1991, \$27.9 billion in fiscal year 1992, and \$24.7 billion in fiscal year 1993. According to DOD, the fiscal year 1991 amount was higher than subsequent years because of high fuel costs and funding for Operation Desert Storm. Current budget estimates for secondary inventory for fiscal years 1994 and 1995 are about \$25 billion for each year. Actual and estimated Defense Business Operations Fund obligational authority for purchasing secondary inventory items is more than \$19 billion for fiscal years 1993, 1994, and 1995. DOD uses secondary item inventory to support military forces, including military personnel, fighter aircraft, and ships. These forces have all decreased since fiscal year 1991 and are projected to continue decreasing through fiscal year 1995.

**Army Inventory:
Unfilled War Reserve Requirements Could Be Met With Items From
Other Inventory**

GAO/NSIAD-94-207, Aug. 25 (13 pages).

After the Defense Department (DOD) Comptroller told the Army that it could use inventory not needed for peacetime missions to satisfy unfilled war reserve requirements, the Army estimated that it could reduce its unfilled war reserve requirements by nearly \$187 million at its five inventory control points. GAO found that this estimate was understated and that the Army could actually meet \$497 million of its unfilled war reserve requirements by using such inventory. Although GAO tried to reconcile the difference between the Army's and GAO's estimates, computer

programming errors prevented Army officials from reconstructing the methodology used to arrive at their estimate. Army officials agreed that GAO's approach was correct. DOD officials said that before the Army could transfer this inventory to the war reserve category, DOD would have to change its policy to allow the Army to exceed the \$2.9 billion ceiling on protected war reserve inventory.

**Organizational Culture:
Use of Training to Help Change DOD Inventory Management Culture**

GAO/NSIAD-94-193, Aug. 30 (32 pages).

The Pentagon's excess inventories of unneeded items have long resulted from a culture that believes that it is better to overbuy items and have more than enough on hand than to try to manage with just the amount of stock needed. Training has been shown to be a key vehicle for helping organizations change their cultures. GAO reviewed the inventory management and Total Quality Management training that the Defense Department (DOD) provides to its 150,000 civilian and military personnel managing its inventory. This report discusses (1) how DOD plans to use training to change its inventory management culture, (2) the extent to which training courses encourage or reflect cultural change, and (3) the amount of training that inventory managers receive to help effect cultural change.

**Science, Space, and
Technology**

**Space Shuttle:
NASA's Plans for Repairing or Replacing a Damaged or
Destroyed Orbiter**

GAO/NSIAD-94-197, July 21 (10 pages).

NASA has not established contingency plans to replace an orbiter in the event of a catastrophic accident or to repair an orbiter seriously damaged in an accident because national policy is not to produce any additional orbiters. The agency also is terminating its structural spares program. Orbiter project officials argue that the commercial sector could meet any future need for additional orbiters or structural components. However, production would take longer if spare structural components and critical manufacturing skills were not readily available. Ending this program will result in the loss of critical manufacturing skills needed to produce another orbiter, such as the skills needed to make payload bay door skins.

However, NASA does not believe that this situation poses significant risks to the shuttle because those skills could be reacquired if another orbiter is needed. The plants at Downey and Palmdale in southern California will be required to support the shuttle at least until modifications for flights to the Russian space station and the international space station are completed. The National Facilities Study Team recommended that NASA consolidate production at the two plants after it completes major modifications to the orbiters. GAO agrees that a decision will be needed on the use of these plants when the modification program is completed because excess capacity will exist.

**Space Station:
Update on the Impact of the Expanded Russian Role**

GAO/NSIAD-94-248, July 29 (17 pages).

Contrary to claims that Russian participation in NASA's proposed international space station would save \$2 billion, GAO's analysis shows that there are no net savings from Russian participation that could be used to fund other areas of the program and accelerate the space station schedule. The \$2 billion in savings would be largely offset by (1) at least \$1.4 billion in program changes to accommodate the Russians and (2) \$400 million in funding requirements arising from lower than anticipated contributions of Russian hardware. NASA still believes that it can meet its assembly schedule and \$17.4 billion funding target. However, NASA will have to find substantial savings from other sources to offset the Russian-related funding increases and accelerate the schedule. NASA recently identified additional shuttle improvements that will be needed as a result of Russian participation, which could further boost space station funding requirements.

**National Space Issues:
Observations on Defense Space Programs and Activities**

GAO/NSIAD-94-253, Aug. 16 (33 pages).

GAO did a broad review of Defense Department (DOD) space programs and activities, including organization, launch vehicles, launch facilities, satellites, and ground control functions. GAO found that space acquisition management remains fragmented at DOD, which plans to outspend NASA on space programs during the next five years. DOD has earmarked about \$70 billion for military and intelligence space programs versus NASA's

\$65 billion for space missions. Meanwhile, despite the government's repeated failure to acquire a new space launch system, the administration's latest draft report on national space transportation policy skirts the need for high-level White House oversight.

Tax Policy and Administration

Tax Administration: Better Measures Needed to Assess Progress of IRS' One-Stop Service

GAO/GGD-94-131, Aug. 29 (16 pages).

The Internal Revenue Service (IRS) has been frequently criticized for its handling of taxpayer questions, requests for assistance, and complaints. In response, IRS has developed a concept of taxpayer assistance known as "one-stop service." The idea is that taxpayers should be able to call, write, or walk into an IRS office for help with any kind of tax problem and see that matter resolved with only one contact by the taxpayer. GAO concludes that both taxpayers and IRS will benefit if IRS can achieve its one-stop service goals. Taxpayers will be able to avoid time-consuming dealings with multiple IRS contacts, and IRS should see increased taxpayer compliance. Between 1992 and 1993, IRS improved its delivery of one-stop service to taxpayers who called with account questions. However, several barriers still limit IRS' ability to deliver one-stop service over the telephone. IRS hopes to remove some of these barriers by consolidating various telephone and correspondence handling services into 23 Customer Service Centers, which should be up and running by 2001. In the meantime, current measures overstate delivery of one-stop service at toll-free sites.

Testimony

Tax Administration: Improving Independent Contractor Compliance With Tax Laws, by Natwar M. Gandhi, Associate Director for Tax Policy and Administration Issues, before the House Committee on Small Business. GAO/T-GGD-94-194, Aug. 4 (14 pages).

This testimony focuses on the tax compliance issues arising from health care reform proposals. Some reform provisions affect the rules for classifying workers as employees or independent contractors and for reporting payments made to independent contractors on information returns. Also, some employers would be required to pay most health insurance premiums for their workers. GAO makes three main points. First, independent contractors tend to have lower tax compliance than

employees. Second, an employer mandate could induce employers to use more independent contractors, some of which will be misclassified because of unclear classification rules. Third, to the extent that health care reform can address these issues through better information reporting and other measures, the better for tax administration.

Transportation

Highway Planning: Agencies Are Attempting to Expedite Environmental Reviews, but Barriers Remain

GAO/RCED-94-211, Aug. 2 (30 pages).

Environmental and permit reviews for federal-aid highway projects are complex and require coordination from as many as 30 federal, state, and local highway, environmental, and planning agencies, as well as public comment and review. GAO was asked to report on federal and state efforts to streamline environmental reviews under the National Environmental Policy Act and section 404 of the Clean Water Act of 1977, to assess whether these efforts will expedite the reviews, and to determine the amount of Highway Trust Fund money that is spent for mitigating adverse effects on the environment. GAO found that highway and environmental review agencies have developed processes to streamline the reviews for highway projects that have an impact on wetlands. These processes integrate reviews under the act and section 404, making them concurrent rather than sequential; emphasize early interagency coordination; and include procedures to resolve disputes. When the new processes are fully implemented, agencies expect to expedite all project reviews, which have typically taken over 5 years to complete. However, even though the new processes will save time, barriers still exist that could limit the success of the new procedures. Environmental agencies may not have enough staff to fully participate in review meetings, which could limit consensus, and the new processes do not clarify how the participating agencies should assess a project's cumulative impact on the environment, a traditional source of delay. As for cost, the Federal Highway Administration has not defined what constitutes an environmental cost and does not routinely track how much states spend to mitigate the highway projects' impact on the environment.

**Research Fleet Modernization:
NOAA Needs to Consider Alternatives to the Acquisition of
New Vessels**

GAO/RCED-94-170, Aug. 3 (22 pages).

The National Oceanic and Atmospheric Administration (NOAA) in the Commerce Department operates a fleet of 18 ships that supports its programs in fisheries and oceanographic research and in hydrographic charting and mapping. Because the fleet is old and technologically obsolete, NOAA has concluded that fleet replacement and modernization are critical to supporting its mission requirements. In this report on the cost-efficiency, accounting, and operating practices of NOAA vessels compared with other federal and private research vessels, GAO found that NOAA has generally agreed with previous studies that it experiment with contracting and chartering the services of private vessels as an alternative to acquiring new ships. NOAA's current fleet modernization plan, however, focuses on the acquisition of new vessels and does not fully consider the role that contracted and chartered vessels could play. Because NOAA does not have the data it needs to adequately assess whether use of private ships could meet its needs, the agency has no assurance that its fleet modernization plan is the most cost-effective way to meet future program requirements.

**Longer Combination Trucks:
Potential Infrastructure Impacts, Productivity Benefits, and
Safety Concerns**

GAO/RCED-94-106, Aug. 9 (56 pages).

The Intermodal Surface Transportation Efficiency Act of 1991 directed GAO to report on the economic and safety impact of multiple-trailer trucks, known as longer combination vehicles (LCV). Most LCVs are either triple or double trailers that operate at gross weights above the 80,000-pound federal limit allowed on interstate highways, primarily in 14 western states that have "grandfathered" exemptions from the federal weight limits and on some turnpikes in six other states. Although the analyses of LCV costs and benefits are theoretical because of different assumptions, wider use of these combination trucks would reduce annual trucking costs, according to one analysis, by about 3 percent or \$3.4 billion. Meanwhile, Federal Highway Administration analyses indicate that allowing LCVs on the interstate highway system nationwide could require additional investments of \$2.1 billion to \$3.5 billion to replace bridges, improve

interchanges, and provide staging areas for the breakdown and assembly of these vehicles. Limited data on LCVs show they have not been a safety problem in western states and on eastern turnpikes, but GAO has previously identified operational characteristics of LCVs that could make them a greater safety risk on more congested highways.

**Highway Contracting:
Disadvantaged Business Program Meets Contract Goal, but
Refinements Are Needed**

GAO/RCED-94-168, Aug. 17 (67 pages).

The Transportation Department's Disadvantaged Business Enterprise Program seeks to eliminate the effects of historical discrimination by helping small businesses owned by socially and economically disadvantaged persons. Under the program run by the Federal Highway Administration (FHWA), the states are required to set goals and award contracts so that not less than 10 percent of their federal-aid highway funds goes to firms in the program. FHWA also funds state-provided technical and business development assistance for Disadvantaged Business Enterprise firms through its supportive services program. This report evaluates (1) whether the states were meeting their Disadvantaged Business Enterprise participation goals and how effective FHWA's efforts were in ensuring that they did, (2) whether FHWA effectively provided technical and business development assistance through its supportive services program, and (3) whether "graduation" from the program equates to business success.

Special Publications

**Abstracts of Reports and Testimony:
Fiscal Year 1993**

GAO/OIMC-94-3A and GAO/OIMC-94-3B (indexes), Jan. 1994 (219 pages and 418 pages).

Copies are available of this handy guide to GAO reports and testimony. A two-volume set, this reference publication provides an excellent overview of the agency's work during fiscal year 1993. This first volume summarizes more than 1,000 "blue books" and other publications issued between October 1992 and September 1993. The second volume contains indexes that allow to reader to locate quickly documents that are of interest.

**GAO Reports:
Health, Education, Employment, Social Security, Welfare, and
Veterans Issues**

GAO/HEHS-94-222W, Aug. 1994 (60 pages).

This booklet lists GAO documents issued on government programs related to health, education, employment, social security, welfare, and veterans issues, which are primarily run by the Departments of Health and Human Services, Labor, Education, and Veterans Affairs. One section identifies reports and testimony issued during the past two months and summarizes key products. Another section lists all documents published during the past two years, organized chronologically by subject. Order forms are included.

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